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Service quality factors affecting purchase intention of life insurance products

Enkhjargal Chimedtseren ^{a,*}, Meysam Safari ^b

^{a,b} Graduate School of Business, SEGi University, Kota Damansara, Malaysia

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ABSTRACT

This paper investigates the service quality factors affecting purchase intention of life insurance products of the customers. Despite of rapid growth of economy and attractive significant development, life insurance industry still faces challenges improving its growth. In order to improve service quality, there is a need to improve service design and delivery of service. As sample frame, personal administered survey questionnaire with non-probability sampling technique with the total of 215 samples comprising insurance customers as unit of analysis were targeted to investigate their purchase intention towards life insurance products. The finding of the structural model it was revealed that lack of problem solving skills and tangibility are the main issue of service quality towards increasing customer satisfaction. From the validation of the framework, it is obvious to make sure that all the quality functions must be in accordance with increasing competitive advantage along with in line with the organizational objectives.

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*Corresponding Author:
enjoy8888@gmail.com

1. Introduction

With an introduction to reforms, life insurance industry was thought to be in fantasy run during the decade (Narula, 2013). Life insurance sector includes both private and public sector insurers that had increased the market driven competitions along with increased challenges due to new competitors in the market. Lack of transparency of future claims and premiums makes the customers uncomfortable for buying life insurance which in turn leads to decrease purchase intention. Improving product awareness and service quality leads to increase customer loyalty and their intention to purchase (Caruana, 2002). Furthermore, Sierra and McQuitty (2005) mentioned that there is a close interaction between service employees and customers in the way the service is provided or actually delivered. Nowadays service providers attempt to retain their existing customers instead of finding new customers because it is more expensive for them.

During the recent decades, life insurance industry experienced great reforms to improve their market density and penetration. But when it comes to provide services to the customers, they lack behind resulting to customer dissatisfaction. Therefore there is a need to understand the quality of service required by the customers and meet their needs successfully. Purchase intention is the main concern for the management of insurance industry due to increase competition (Bodet, 2008). In the competitive business, purchase intention plays an important role in gaining competitive advantage (Lin & Wang, 2006).

Thus the main research questions to be answered in this paper are as follows:

- What are the SERVQUAL factors that affect the loyalty of customers in the life insurance industry?
- What impact does customer's trust and customer satisfaction possess between SERVQUAL factors and purchase intention in life insurance industry?
- How can the new proposed framework including helpfulness and problem solving instrument be validated and practically used?

2. Review of Literature

SERVQUAL model have been utilized by many practitioners and academicians on perception of customers especially in the insurance companies. However, (Ishaq, 2011) hypothesized that, "customer satisfaction in the intermediary factor linking service quality with purchase intention." In addition, Zekiri (2011) mentioned that, "service quality must be

in the benefits of the marketers as it have impact on customers satisfaction.” The second SERVQUAL model was GAPS model of service quality (Anantharathan Parasuraman, Zeithaml, & Berry, 1985). Service quality model (Anantharathan Parasuraman et al., 1985) have acknowledged by many marketing academicians and researchers and have been cited in maximum studies. Furthermore, Seth, Deshmukh, and Vrat (2005) appraised service quality model critically and attempted to identify issues on 19 different service quality models. Study performed by Arun Parasuraman, Zeithaml, and Berry (1988) defined service quality as “the customer’s overall judgment for the excellence of service or the difference in expectations of customers towards the actual performed service”.

Prior of providing literature, this study is also helpful for providing information to the service providers how to differentiate themselves with other competitors. Many studies provided multiple service quality dimensions based on their empirical findings. Two dimensions were proposed by Gronoos (1983), ten dimensions were proposed by Parasuraman, Zeithaml and Berry (1985). Similarly, Parasuraman, Zeithaml and Berry (1988) confirmed five dimensions whereas; six dimensions were proposed by Bahia and Nantel (2000).

Table 1
SERVQUAL Models and the issues

Model	Type	Issues
Service quality 1	Technical and functional	The influence of technical and functional quality on perception of customers
Service quality 2	GAP model	Factors influencing customer and marketer expectations
Service quality 3	Attribute SERVQUAL model	What are the attributes that influence for encountering services
Service quality 4	Synthesized service quality model	Factors contributing to information, design, feedback, and communications gaps reducing gaps for planning and implementations
Service quality 5	Performance only model	Role of value for purchase decision and service quality determination
Service quality 6	Ideal value model	Changes in Service concept through the cognitive process
Service quality 7	EP & NQ	The role of EP model towards setting of services and type of services provided
Service quality 8	Alignment model of IT	Role of IT on enhancement of service quality towards customer satisfaction
Service quality 9	Service attributes model	The role of attitude and behavior towards service quality expectations
Service quality 10	PCP model	Depends on service settings changes

2.1 SERVQUAL Dimensions

Service quality is defined as the physical, interactive and corporate image quality experienced by the customers (Lehtinen & Lehtinen, 1982). According to Zeithaml, Berry, and Parasuraman (1996), service quality involves evaluation of the results that customers actually receives in the form of service along with the superiority of service experienced by customers with the global judgment. This study considers the service quality dimensions first provided by Anantharathan Parasuraman et al. (1985) which was then later adopted by many studies (Eboli & Mazzulla, 2007; Olorunniwo, Hsu, & Udo, 2006; Sureshchandar, Rajendran, & Anantharaman, 2002; Wong & Sohal, 2003) till present investigating service quality and customer satisfaction relationships.

Academicians like Arun Parasuraman et al. (1988) have used 22 items for investigating influence of SERVQUAL factors on perception of service quality. The five dimensions of service quality were refined to be Tangibility, Reliability, Responsiveness, Assurance and Empathy. SERVQUAL was having only five dimensions and this study found that service organizations can rely on the effect of SERVQUAL factors in assessing the perception and expectations of customers. The model was also found to be helpful in improving service quality. In addition, Arun Parasuraman, Berry, and Zeithaml (1991) refined the SERVQUAL model provided in 1988 by investigating in different sectors like retail banking, insurance sector, and service provided for telephone repair. Analysis performed with revised framework of SERVQUAL and found tangibility and assurance as an important factor and provided consistent direction for further studies.

2.1.1 Tangibility

Tangibility is defined as the extent to which the insurance industry staffs or agents are well uniformed and organized along with the comfort atmosphere in the office where customers are waiting (Moon, 2013). If the intangible aspects of the service are not fulfilled by the insurance industry staffs to their customers in the form of quality product and services, the quality is still considered as low. The key to the insurance company success is when the service encountered by the customers with the interaction by marketers or any other departments (Cimacio, Nullar, MBA, & Reside, 2009). Customers compare the service of one company to the other and identify the expectations based on their service encountered and knowledge gained. Rodrigues (2013) explained tangibility as physical facilities, equipment and the appearance of individuals. Tangible assets for the service providers are the facilities

and behavior of employees. Service quality in the life insurance industry is divided into tangible and intangible aspects. Tangible aspects of service quality include factors that assure overall perception of the customers. Tangibility aims to provide excellent service to the insurance industry customers.

2.1.2 Reliability

Reliability is based on evaluation of customer's physical service factors like design. However, Anantharathan Parasuraman et al. (1985) found reliability as the consistency of performance and dependability. Providing right service at right time confirms reliability service of insurance industry. Furthermore, Moon (2013) found that reliability of the service providers are linked to web security and ease to use. Reliability is in the form of accessibility, continuity and performance that is able to meet customer's expectations. Rizan (2010) stated that "Reliability also helps to increase customer's value by providing appropriate service requirements, customer's participation to fulfill their needs and solving operational issues wherever it is required".

2.1.3 Responsiveness

Responsiveness is defined as the willingness of insurance industry staffs to provide service on time (Arasli, Mehtap-Smadi, & Turan Katircioglu, 2005). Some of the examples of such services are giving feedback to customers immediately and easy to give appointment to customers. When insurance industry staff deliver service to customer promptly it shows attitude of the employee which in turn is perceived by the customer as service to be good (Grönroos, 2007). It is always difficult for the customer to judge service quality. Thus trust plays an important role for judging service quality.

2.1.4 Empathy

Providing individual attention to the customers by the insurance industry staffs is termed as empathy. If the staff is not able to provide person attention, it found negatively correlated to service quality. Some scholars found empathy to be an important dimension of service quality (Johnson & Sirikit, 2002; McKecnie, Ganguli, & Roy, 2011).

2.1.5 Assurance

The ability of the insurance industry staffs to increase trust and confidence of the customers is termed as assurance. However, Saleeby (2008) examined on the relationship between service quality and purchase intention and found that assurance is highly correlated to purchase intention. The dimensions of service quality like responsiveness, assurance, empathy, reliability and tangibles are judged by the customers. Thus it is important to meet customers' expectations that require the element of surprise for the service providers to interact with the customers.

2.1.6 Problem solving

Problem solving is considered as part of SERVQUAL and is defined as the addressing of customer service recovery and customer retention (Dabholkar, 1996). The problem solving skills of the employees is very important to delimit the work uniquely in the topic of service quality and customer satisfaction.

2.1.7 Helpfulness

Insurance industry staff's interpersonal relationship with its customers is important to perceive the staff to be warm, friendly and impulsive by customers. For instance, Kim, Jin, and Swinney (2009) and Lewis (1991) expressed helpfulness as respect and consideration shown by an individual towards other by providing an adequate explanations about the product or services. According to Sahin, Demir, Celik, and Teke (2006) measuring service quality is very important in order to identify service quality issues to make improvements in the service providers. Thus the attitude of helpfulness of the employees plays an important role in increasing service quality.

For the aggressive marketing, service quality works as an instrument for success and survival in current competitive environment. Insurance companies play a crucial role in energizing the whole service quality concepts. Insurance sectors of countries like China and India are relatively fastest growing sector in all over the world (Dagong Europe, 2014). This sector requires continuous increase in expectations of customers along with high demand of service quality. Many previous studies (Camarero, 2007; Gayathri, 2005; Goswami, 2007; Siddiqui & Sharma, 2010; Tsoukatos & Rand, 2006) have investigated the role of service quality in insurance sector. Service quality of insurance sector in the current study is composed of

seven factors namely, tangibility, reliability, responsiveness, empathy, assurance, problem solving and helpfulness.

2.2 Purchase intention

Purchase intention is defined as “purchase probability associated with an intention to buy the product actually” (Halim & Hamed, 2005; Kincaid, 2003). Furthermore, according to Palmatier, Scheer, and Steenkamp (2007) positive purchase intention leads to increase sales and customer share lowering costs with high relationship marketing efforts.

Purchase intention helps the organization to decrease marketing costs, increase new customers, increase revenue and competitive advantage (Chaudhuri & Holbrook, 2001). In order to make decisions on purchasing life insurance products, customers are heavily concerned with the financial aspects, but the service related aspects are of equal important too.

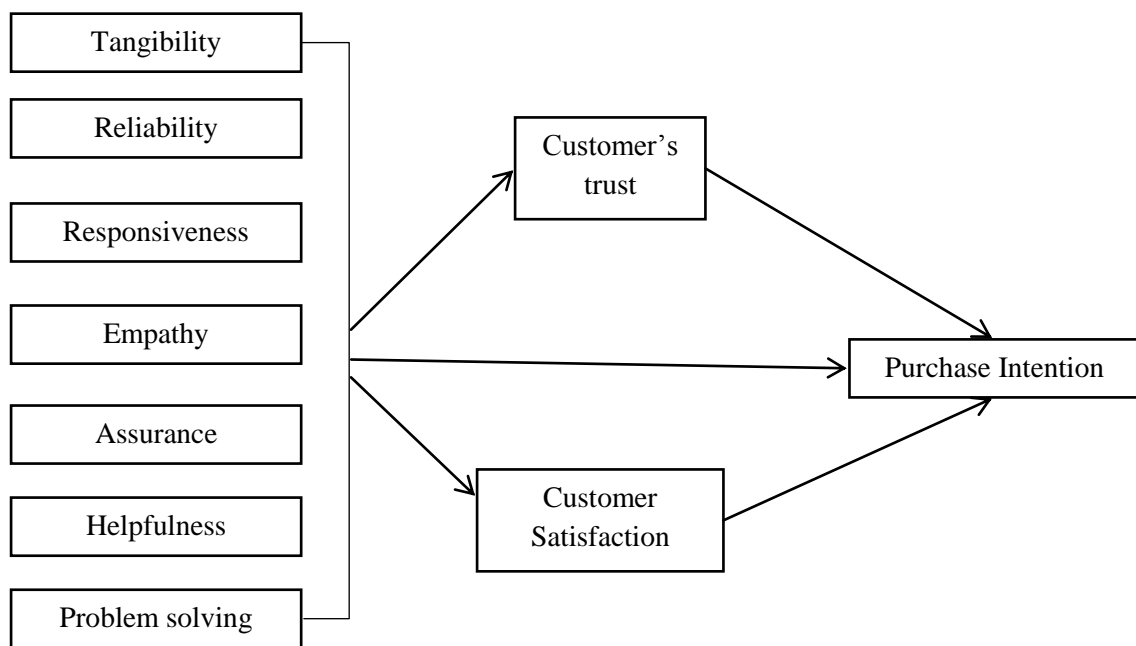


Figure 1
Research Model

This research framework explores the literature on purchase intention by using seven variables of service quality and customer satisfaction and trust as mediator for the formation of positive intention to purchase life insurance products.

3. Methodology

This paper follows quantitative research method to investigate relationship between SERVQUAL factors, customer satisfaction and purchase intention. Responses from the participants were collected using both primary and secondary data. Closed interval self-administered survey questionnaire is utilized with the help of quantitative approach. Convenient sampling technique as research and sampling method is then used. Customers having experience of services provided by life insurance industry were selected as unit of analysis. Respondents were selected randomly and the answers were set up with 5 point Likert scale technique. Life insurance industry is chosen for the study in order to assess the status of loyalty of life insurance customers that provides significant insights assisting them for performing better quality practices. Research instruments like SPSS 21 for exploratory factor analysis and descriptive statistics will be used, whereas AMOS 21 will be used to perform the structural equation modeling for the confirmatory factor analysis.

4. Results

4.1 Descriptive statistics

Table 2 provides the individual respondents' profiles in terms of gender, job status, qualification, income and experience. Of the respondents, 103 out of 215 (48%) were males, while the other 112 respondents (52%) were females. Regarding the job status, 37 respondents (17.2%) were working in the private sector, 44 individuals were working in the public sector (20.5%), whereas 97 respondents were students (45.1%), 33 respondents (15.3%) were having their own business and the remaining 4 respondents (2.65%) were in the category of others.

The level of qualification held by the majority of the respondents was having masters qualification i.e. 75 respondents (34.88%), the next largest group was bachelor qualification with 56 (26.04%), followed by professional qualification having 44 respondents (20.46%), diploma degree with 21 respondents (9.76%). From the income level it was found that majority of the respondents were having high income i.e. RM 2001 to RM 3000 with 54 respondents, whereas 48 respondents were having the income of RM 3001 to RM 5000 per month.

Table 2

Demographic Profile of the Respondents

Gender	Frequency	Percent	Income (RM)	Frequency	Percent
Male	103	47.4	Less than 2000	31	14.41
Female	112	52.6	2001 to 3000	54	25.11
Job Status			3001 to 5000	48	22.32
Private sector	37	17.2	5001 to 8000	42	19.53
Public Sector	44	20.5	8001 to 10000	21	9.76
Student	97	45.1	10001 and more	19	8.83
Businessman or self employed	33	15.3	Age		
Others	4	1.9	18 to 25 yrs	36	16.74
Qualification			25 to 30 yrs	76	35.34
Diploma	21	9.76	30 to 39 years	52	24.18
Bachelor	56	26.04	40 to 49 years	39	18.13
Masters	75	34.88	50 yrs and above	12	5.58
Professionals / PhD	44	20.46			
Others	19	8.83			

4.2 Regression analysis

In the structural model, direct relationship between (tangibility, reliability, responsiveness, empathy, assurance, problem solving and helpfulness) on purchase intention represents the hypothesised relationship between the two variables. From the structural model provided in Figure 2, it was found that the majority of the fitness indices for absolute, incremental and parsimonious values were significant. Furthermore, it was found that the direct relationship between (tangibility, reliability, responsiveness, problem solving and helpfulness) with purchase intention were not significant at p value of 0.05 and z value of greater than 1.96. The final structural model found 68% of influence of service quality factors on customer satisfaction, whereas the regression between service quality and customer trust was 70%. Furthermore the multiple regression was carried out between service quality, customer satisfaction, customer trust and purchase intention. All the regression results were above 0.50 (50%) indicating that the independent variables were able to explain the dependent variables significantly.

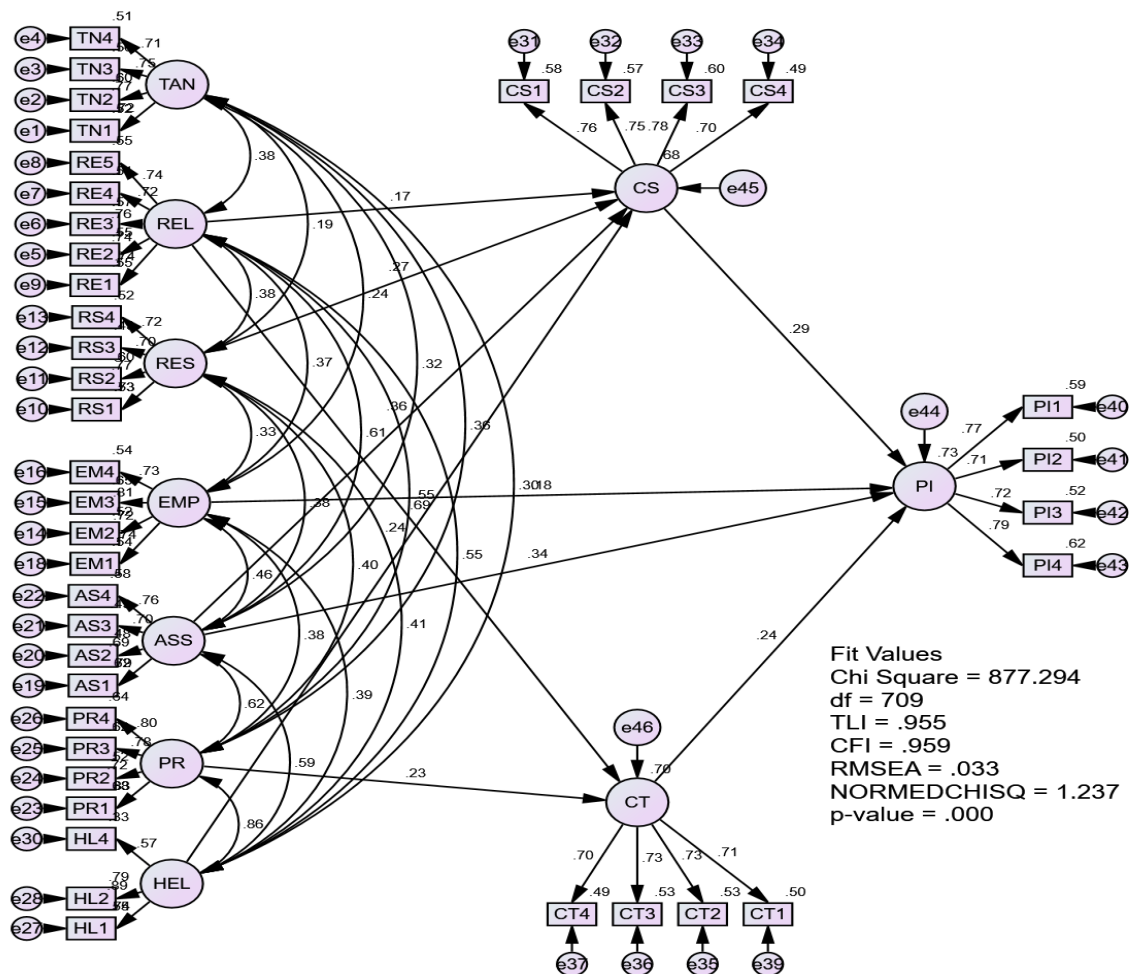


Figure 2
Final Model

The structural analysis was conducted to determine the purchase intention measurement as a latent construct and to confirm the mediating factor, customer satisfaction and customer trust, used in the present study with seven independent constructs (tangibility, reliability, responsiveness, empathy, assurance, problem solving and helpfulness). The structural model as shown in Figure 2 was run on the 43 items of the factors. An examination of the path coefficients and t values for the initial structural model indicated that the hypothesised path related was statistically significant, as shown in Figure 2.

The hypothetical relationship between tangibility, reliability, responsiveness, problem solving and helpfulness on purchase intention were found to be non-significant except the relationship between empathy and assurance with purchase intention.

5. Conclusions

In order to test this hypothesis the result of final model was identified as reasonable to investigate. The p value for the path between service quality factors and customer trust noted that only reliability and problem solving skills of the insurance agents are able to increase customer trust. Similarly, the direct effect between majorities of service quality factors to purchase intention was not significant, whereas the indirect path from service quality factors to customer trust and customer trust to purchase intention was significant. In future research, thus instead of limiting the survey to customers, it is suggested to focus on the opinion from employees throughout the insurance industry and perform a comparison of the results. It is suggested for the managers to make a checklist in order to target their service weaknesses and attempt to fulfill such weaknesses in an effective way.

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